

**Legislative Fiscal Bureau**

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February 28, 2011

TO: Senator Mark Miller
Room 206 South, State Capitol

FROM: Bob Lang, Director

SUBJECT: 2010-11 General Fund Condition Statement -- SS SB/AB 11

At your request, this memorandum provides an estimated 2010-11 general fund condition statement if the following modifications were made to the Joint Finance Committee's version of SS SB/AB 11 (the 2010-11 budget adjustment legislation).

- The reduction of \$79.0 million from the 2007 Act 20 and 2009 Acts 2 and 28 transfer/lapse requirements of DOA be eliminated;
- The additional medical assistance (MA) funding increase of \$42.7 million be eliminated; and
- The \$165.0 million of GPR debt restructuring be eliminated.

These three items are discussed in more detail, below.

DOA Required Lapse/Transfer. For the 2009-11 biennium, 2007 Act 20 and 2009 Acts 2 and 28 established lapse or transfer requirements to the general fund from the Secretary of DOA totaling \$641.8 million. The administration made approximately \$300 million of lapses/transfers in 2009-10, leaving \$341.8 million remaining to be lapsed or transferred in 2010-11.

The budget adjustment bill would reduce the \$341.8 million amount by \$79.0 million to \$262.8 million. Deletion of the provision from the bill would increase the 2010-11 general fund balance by \$79.0 million.

MA Funding Increase. The Joint Committee on Finance, in its version of SS SB/AB 11, provided an increase of \$42.7 million to the MA benefits appropriation in order to capture the higher federal medical assistance percentage that applies to MA benefit payments made through June 30, 2011.

This provision would increase funding for MA benefits by \$42.7 million GPR in 2010-11 in order to pay a portion of the June, 2011, MA capitation payments that would otherwise be deferred into July, 2011. Doing so would generate approximately \$7.2 million in additional federal matching funds in 2010-11, compared to federal matching funds that would be generated if the payments were made in July, 2011.

Eliminating this provision from the bill would increase the 2010-11 general fund balance by \$42.7 million.

GPR Debt Restructuring. SS SB/AB 11 would provide \$165.0 million of general obligation refunding bonding for the purpose of restructuring \$165.0 million of outstanding principal on GPR-supported, general obligation debt that would otherwise be paid off in May, 2011. This provision would reduce GPR expenditures by \$165.0 million in 2010-11, but would increase anticipated GPR debt service costs in the 2011-13 biennium by \$29.6 million.

Elimination of this provision from SS SB/AB 11 would reduce the 2010-11 general fund balance by \$165.0 million.

Under the Finance Committee's version of the budget adjustment legislation, the 2010-11 gross, general fund balance is estimated to be \$65.1 million. Removal of the three provisions identified above would reduce that balance by \$43.3 million to \$21.8 million.

The net balance (after consideration of the \$65.0 million required statutory balance) would be \$0.1 million under Joint Finance and -\$43.2 million under the provisions of this memorandum.

BL/vh